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# Operating Highlights

| Revenues   | 2012              | 2011              |
|--|-------------------|-------------------|
| <b>Worldwide wholesale unit volumes by automotive segment (in thousands)</b> |                   |                   |
| Ford North America   | 2,784             | 2,686             |
| Ford South America   | 498               | 506               |
| Ford Europe  | 1,353             | 1,602             |
| Ford Asia Pacific Africa   | 1,033             | 901               |
| <b>Total</b>   | <b>5,668</b>      | <b>5,695</b>      |
| <b>Revenues (In millions)</b>  |                   |                   |
| Automotive   | \$ 128,567        | \$ 128,168        |
| Financial Services   | 7,685             | 8,096             |
| <b>Total</b>   | <b>\$ 134,252</b> | <b>\$ 136,264</b> |
| <b>Financial Results</b>   |                   |                   |
| <b>Income before income taxes (in millions)</b>                              |                   |                   |
| Automotive   | \$ 6,010          | \$ 6,250          |
| Financial Services   | 1,710             | 2,431             |
| <b>Total</b>   | <b>\$ 7,720</b>   | <b>\$ 8,681</b>   |
| <b>Amounts Attributable to Ford Motor Company</b>                            |                   |                   |
| Net income (in millions)   | \$ 5,665          | \$ 20,213         |
| Diluted net income per share of Common and Class B Stock                     | \$ 1.42           | \$ 4.94           |
| <b>Cash and Spending</b>   |                   |                   |
| <b>Automotive capital expenditures</b>                                       |                   |                   |
| Amount (in billions)   | \$ 5.5            | \$ 4.3            |
| As a percentage of Automotive sales  | 4.3%              | 3.3%              |
| <b>Automotive cash at year end (in billions)</b>                             |                   |                   |
| Automotive gross cash (a)  | \$ 24.3           | \$ 22.9           |
| – Cash net of Automotive debt  | 10.0              | 9.8               |
| <b>Shareholder Value</b>   |                   |                   |
| Dividends paid per share   | \$ 0.20           | \$ 0.00           |
| Total shareholder returns % (b)  | 23%               | (36)%             |

(a) Automotive gross cash includes cash and cash equivalents and net marketable securities.  
 (b) Source: Standard & Poor's, a division of the McGraw Hill Companies, Inc.

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## On the Cover

The One Ford plan enables accelerated development of products that customers truly want and value, resulting in a full-line of cars, utilities and trucks that meet and exceed owner expectations across global markets. The upper photo includes the stylish Ford Focus hatchback, the sporty subcompact Fiesta ST and the distinctive Escape utility vehicle. From left to right, lower photos illustrate the innovative new Lincoln MKZ, the family-friendly Ford B-MAX and the iconic F-150 pickup truck.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of  
Ford Motor Company

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, comprehensive income, equity and cash flows, including pages 64 through 155, present fairly, in all material respects, the financial position of Ford Motor Company and its subsidiaries at December 31, 2012 and December 31, 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting in this Annual Report. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying sector balance sheets and the related sector statements of income and of cash flows are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP  
Detroit, Michigan  
February 18, 2013

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**FORD MOTOR COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED INCOME STATEMENT**  
(in millions, except per share amounts)

|   | For the years ended December 31, |                  |                 |
|---|----------------------------------|------------------|-----------------|
|   | 2012                             | 2011             | 2010            |
| <b>Revenues</b>   |                                  |                  |                 |
| Automotive  | \$ 126,567                       | \$ 128,168       | \$ 119,280      |
| Financial Services  | 7,685                            | 8,096            | 9,674           |
| <b>Total revenues</b>   | <b>134,252</b>                   | <b>136,264</b>   | <b>128,954</b>  |
| <b>Costs and expenses</b>   |                                  |                  |                 |
| Automotive cost of sales  | 112,578                          | 113,345          | 104,451         |
| Selling, administrative, and other expenses                       | 12,182                           | 11,578           | 11,909          |
| Financial Services interest expense                               | 3,115                            | 3,614            | 4,345           |
| Financial Services provision for credit and insurance losses      | 86                               | (33)             | (216)           |
| <b>Total costs and expenses</b>                                   | <b>127,961</b>                   | <b>128,504</b>   | <b>120,489</b>  |
| Automotive interest expense                                       | 713                              | 817              | 1,807           |
| Automotive interest income and other income/(loss), net (Note 21) | 1,185                            | 825              | (362)           |
| Financial Services other income/(loss), net (Note 21)             | 369                              | 413              | 315             |
| Equity in net income/(loss) of affiliated companies               | 588                              | 500              | 538             |
| <b>Income before income taxes</b>                                 | <b>7,720</b>                     | <b>8,681</b>     | <b>7,149</b>    |
| Provision for/(Benefit from) income taxes (Note 24)               | 2,056                            | (11,541)         | 592             |
| <b>Net income</b>   | <b>5,664</b>                     | <b>20,222</b>    | <b>6,557</b>    |
| Less: Income/(Loss) attributable to noncontrolling interests      | (1)                              | 9                | (4)             |
| <b>Net income attributable to Ford Motor Company</b>              | <b>\$ 5,665</b>                  | <b>\$ 20,213</b> | <b>\$ 6,561</b> |

**AMOUNTS PER SHARE ATTRIBUTABLE TO FORD MOTOR COMPANY COMMON AND CLASS B STOCK (Note 26)**

|                         |         |         |         |
|-------------------------|---------|---------|---------|
| Basic income            | \$ 1.48 | \$ 5.33 | \$ 1.90 |
| Diluted income          | \$ 1.42 | \$ 4.94 | \$ 1.66 |
| Cash dividends declared | \$ 0.15 | \$ 0.05 | \$ —    |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
(in millions)

|  | For the years ended December 31, |                  |                 |
|--|----------------------------------|------------------|-----------------|
|  | 2012                             | 2011             | 2010            |
| <b>Net income</b>  | <b>\$ 5,664</b>                  | <b>\$ 20,222</b> | <b>\$ 6,557</b> |
| Other comprehensive income/(loss), net of tax (Note 20)                    |                                  |                  |                 |
| Foreign currency translation   | 142                              | (720)            | (2,234)         |
| Derivative instruments   | 6                                | (152)            | (24)            |
| Pension and other postretirement benefits                                  | (4,268)                          | (3,553)          | (1,190)         |
| Net holding gain/(loss)  | —                                | 2                | (2)             |
| <b>Total other comprehensive income/(loss), net of tax</b>                 | <b>(4,120)</b>                   | <b>(4,423)</b>   | <b>(3,450)</b>  |
| <b>Comprehensive income</b>  | <b>1,544</b>                     | <b>15,799</b>    | <b>3,107</b>    |
| Less: Comprehensive income/(loss) attributable to noncontrolling interests | (1)                              | 7                | (5)             |
| <b>Comprehensive income attributable to Ford Motor Company</b>             | <b>\$ 1,545</b>                  | <b>\$ 15,792</b> | <b>\$ 3,112</b> |

The accompanying notes are part of the financial statements.

**FORD MOTOR COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET**  
(in millions)

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|   | December 31,<br>2012 | December 31,<br>2011 |
|---|----------------------|----------------------|
| <b>ASSETS:</b>  |                      |                      |
| Cash and cash equivalents   | \$ 15,659            | \$ 17,148            |
| Marketable securities (Note 6)  | 20,284               | 18,618               |
| Finance receivables, net (Note 7)                                     | 71,510               | 69,976               |
| Other receivables, net  | 10,828               | 8,565                |
| Net investment in operating leases (Note 8)                           | 16,451               | 12,838               |
| Inventories (Note 10)   | 7,362                | 5,901                |
| Equity in net assets of affiliated companies (Note 11)                | 3,246                | 2,936                |
| Net property (Note 13)  | 24,942               | 22,371               |
| Deferred income taxes (Note 24)                                       | 15,185               | 15,125               |
| Net intangible assets (Note 14)                                       | 87                   | 100                  |
| Other assets  | 5,000                | 4,770                |
| <b>Total assets</b>   | <b>\$ 190,554</b>    | <b>\$ 178,348</b>    |
| <b>LIABILITIES</b>  |                      |                      |
| Payables  | \$ 19,308            | \$ 17,724            |
| Accrued liabilities and deferred revenue (Note 15)                    | 49,407               | 45,369               |
| Debt (Note 17)  | 105,058              | 99,488               |
| Deferred income taxes (Note 24)                                       | 470                  | 696                  |
| <b>Total liabilities</b>  | <b>174,243</b>       | <b>163,277</b>       |
| Redeemable noncontrolling interest (Note 19)                          | 322                  | —                    |
| <b>EQUITY</b>   |                      |                      |
| Capital stock (Note 26)   |                      |                      |
| Common Stock, par value \$.01 per share (3,875 million shares issued) | 39                   | 37                   |
| Class B Stock, par value \$.01 per share (71 million shares issued)   | 1                    | 1                    |
| Capital in excess of par value of stock                               | 20,976               | 20,905               |
| Retained earnings   | 18,077               | 12,985               |
| Accumulated other comprehensive income/(loss) (Note 20)               | (22,854)             | (18,734)             |
| Treasury stock  | (292)                | (166)                |
| <b>Total equity attributable to Ford Motor Company</b>                | <b>15,947</b>        | <b>15,028</b>        |
| Equity attributable to noncontrolling interests                       | 42                   | 43                   |
| <b>Total equity</b>   | <b>15,989</b>        | <b>15,071</b>        |
| <b>Total liabilities and equity</b>                                   | <b>\$ 190,554</b>    | <b>\$ 178,348</b>    |

The following table includes assets to be used to settle liabilities of the consolidated variable interest entities ("VIEs"). These assets and liabilities are included in the consolidated balance sheet above. See Note 12 for additional information on our VIEs.

|  | December 31,<br>2012 | December 31,<br>2011 |
|--|----------------------|----------------------|
| <b>ASSETS</b>                            |                      |                      |
| Cash and cash equivalents                | \$ 2,911             | \$ 3,402             |
| Finance receivables, net                 | 47,515               | 49,795               |
| Net investment in operating leases       | 6,308                | 6,354                |
| Other assets                             | 4                    | 157                  |
| <b>LIABILITIES</b>                       |                      |                      |
| Accrued liabilities and deferred revenue | 134                  | 97                   |
| Debt                                     | 40,245               | 41,421               |

The accompanying notes are part of the financial statements.

**FORD MOTOR COMPANY AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
(in millions)

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|   | For the years ended December 31, |                  |                   |
|---|----------------------------------|------------------|-------------------|
|   | 2012                             | 2011             | 2010              |
| <b>Cash flows from operating activities of continuing operations</b>  |                                  |                  |                   |
| Net cash provided by/(used in) operating activities   | \$ 9,045                         | \$ 9,784         | \$ 11,477         |
| <b>Cash flows from investing activities of continuing operations</b>  |                                  |                  |                   |
| Capital expenditures  | (5,488)                          | (4,293)          | (4,092)           |
| Acquisitions of retail and other finance receivables and operating leases                                       | (39,208)                         | (35,866)         | (28,873)          |
| Collections of retail and other finance receivables and operating leases  | 32,333                           | 33,964           | 37,757            |
| Purchases of securities   | (95,135)                         | (68,723)         | (100,150)         |
| Sales and maturities of securities  | 93,749                           | 70,795           | 101,077           |
| Cash change due to initial consolidation of businesses  | 191                              | —                | 94                |
| Proceeds from sale of business  | 66                               | 333              | 1,318             |
| Settlements of derivatives  | (737)                            | 353              | (37)              |
| Elimination of cash balances upon disposition of discontinued/hold-for-sale operations                          | —                                | (69)             | (456)             |
| Other   | (61)                             | 465              | 270               |
| Net cash provided by/(used in) investing activities   | (14,290)                         | (3,041)          | 6,908             |
| <b>Cash flows from financing activities of continuing operations</b>  |                                  |                  |                   |
| Cash dividends  | (763)                            | —                | —                 |
| Purchases of Common Stock   | (125)                            | —                | —                 |
| Sales of Common Stock   | —                                | —                | 1,339             |
| Changes in short-term debt  | 1,208                            | 2,841            | (1,754)           |
| Proceeds from issuance of other debt  | 32,436                           | 35,921           | 30,821            |
| Principal payments on other debt  | (29,210)                         | (43,095)         | (47,625)          |
| Payments on notes/transfer of cash equivalents to the UAW Voluntary Employee Benefit Association ("VEBA") Trust | —                                | —                | (7,302)           |
| Other   | 159                              | 92               | 100               |
| Net cash provided by/(used in) financing activities   | 3,705                            | (4,241)          | (24,421)          |
| Effect of exchange rate changes on cash and cash equivalents  | 51                               | (159)            | (53)              |
| <b>Net increase/(decrease) in cash and cash equivalents</b>   | <b>\$ (1,489)</b>                | <b>\$ 2,343</b>  | <b>\$ (6,089)</b> |
| <b>Cash and cash equivalents at January 1</b>   | <b>\$ 17,148</b>                 | <b>\$ 14,805</b> | <b>\$ 20,894</b>  |
| Net increase/(decrease) in cash and cash equivalents  | (1,489)                          | 2,343            | (6,089)           |
| <b>Cash and cash equivalents at December 31</b>   | <b>\$ 15,659</b>                 | <b>\$ 17,148</b> | <b>\$ 14,805</b>  |

The accompanying notes are part of the financial statements.

FORD MOTOR COMPANY AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF EQUITY  
(in millions)

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|  | Equity/(Deficit) Attributable to Ford Motor Company |  |   |   |                   |                  |   | Total<br>Equity/<br>(Deficit) |
|--|---|--|---|---|-------------------|------------------|---|-------------------------------|
|  | Capital<br>Stock                                    | Cap. in<br>Excess<br>of<br>Par<br>Value<br>of<br>Stock | Retained<br>Earnings/<br>(Accumulated<br>Deficit) | Accumulated<br>Other<br>Comprehensive<br>Income/(Loss)<br>(Note 20) | Treasury<br>Stock | Total            | Equity/<br>(Deficit)<br>Attributable<br>to Non-<br>controlling<br>Interests |                               |
| <b>Balance at December 31, 2009</b>                                  | \$ 34   | \$16,786   | \$ (13,599)                                       | \$ (10,864)   | \$ (177)          | \$ (7,820)       | \$ 38   | \$ (7,782)                    |
| Net income   | —   | —  | 6,561   | —   | —                 | 6,561            | (4)   | 6,557                         |
| Other comprehensive income/(loss), net<br>of tax                     | —   | —  | —   | (3,449)   | —                 | (3,449)          | (1)   | (3,450)                       |
| Common stock issued (including share-<br>based compensation impacts) | 4   | 4,017  | —   | —   | —                 | 4,021            | —   | 4,021                         |
| Treasury stock/other   | —   | —  | —   | —   | 14                | 14               | —   | 14                            |
| Cash dividends declared  | —   | —  | —   | —   | —                 | —                | (2)   | (2)                           |
| <b>Balance at December 31, 2010</b>                                  | <u>\$ 38</u>  | <u>\$20,803</u>  | <u>\$ (7,038)</u>                                 | <u>\$ (14,313)</u>  | <u>\$ (163)</u>   | <u>\$ (673)</u>  | <u>\$ 31</u>  | <u>\$ (642)</u>               |
| <b>Balance at December 31, 2010</b>                                  | \$ 38   | \$20,803   | \$ (7,038)  | \$ (14,313)   | \$ (163)          | \$ (673)         | \$ 31   | \$ (642)                      |
| Net income   | —   | —  | 20,213  | —   | —                 | 20,213           | 9   | 20,222                        |
| Other comprehensive income/(loss), net<br>of tax                     | —   | —  | —   | (4,421)   | —                 | (4,421)          | (2)   | (4,423)                       |
| Common stock issued (including share-<br>based compensation impacts) | —   | 102  | —   | —   | —                 | 102              | —   | 102                           |
| Treasury stock/other   | —   | —  | —   | —   | (3)               | (3)              | 5   | 2                             |
| Cash dividends declared  | —   | —  | (190)   | —   | —                 | (190)            | —   | (190)                         |
| <b>Balance at December 31, 2011</b>                                  | <u>\$ 38</u>  | <u>\$20,905</u>  | <u>\$ 12,985</u>                                  | <u>\$ (18,734)</u>  | <u>\$ (166)</u>   | <u>\$ 15,028</u> | <u>\$ 43</u>  | <u>\$ 15,071</u>              |
| <b>Balance at December 31, 2011</b>                                  | \$ 38   | \$20,905   | \$ 12,985   | \$ (18,734)   | \$ (166)          | \$ 15,028        | \$ 43   | \$ 15,071                     |
| Net income   | —   | —  | 5,665   | —   | —                 | 5,665            | (1)   | 5,664                         |
| Other comprehensive income/(loss), net<br>of tax                     | —   | —  | —   | (4,120)   | —                 | (4,120)          | —   | (4,120)                       |
| Common stock issued (including share-<br>based compensation impacts) | 2   | 71   | —   | —   | —                 | 73               | —   | 73                            |
| Treasury stock/other   | —   | —  | —   | —   | (126)             | (126)            | —   | (126)                         |
| Cash dividends declared  | —   | —  | (573)   | —   | —                 | (573)            | —   | (573)                         |
| <b>Balance at December 31, 2012</b>                                  | <u>\$ 40</u>  | <u>\$20,976</u>  | <u>\$ 18,077</u>                                  | <u>\$ (22,854)</u>  | <u>\$ (292)</u>   | <u>\$ 15,947</u> | <u>\$ 42</u>  | <u>\$ 15,989</u>              |

The accompanying notes are part of the financial statements.

FORD MOTOR COMPANY AND SUBSIDIARIES  
NOTES TO THE FINANCIAL STATEMENTS

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NOTE 6. MARKETABLE AND OTHER SECURITIES

We hold various investments classified as marketable securities, including U.S. government and non-U.S. government securities, securities issued by non-U.S. government agencies, corporate obligations and equities, and asset-backed securities.

We record marketable securities at fair value. Realized and unrealized gains and losses and interest income are recorded in *Automotive interest income and other income/(expense), net* and *Financial Services other income/(loss), net*. Realized gains and losses are measured using the specific identification method.

Investments in Marketable Securities

Investments in marketable securities were as follows (in millions):

|                             | December 31, 2012 |                               | December 31, 2011 |                               |
|-----------------------------|-------------------|-------------------------------|-------------------|-------------------------------|
|                             | Fair Value        | Unrealized Gains/(Losses) (a) | Fair Value        | Unrealized Gains/(Losses) (a) |
| Automotive sector           | \$ 18,178         | \$ 52                         | \$ 14,984         | \$ (93)                       |
| Financial Services sector   | 2,106             | 6                             | 3,835             | (9)                           |
| Intersector elimination (b) | —                 | —                             | (201)             | —                             |
| Total Company               | \$ 20,284         | \$ 58                         | \$ 18,618         | \$ (102)                      |

(a) Unrealized gains/(losses) for period related to instruments still held.

(b) "Fair Value" reflects an investment in Ford Credit debt securities shown at a carrying value of \$201 million (estimated fair value of which was \$201 million) at December 31, 2011. This investment matured in 2012.

Other Securities

Investments in entities that we do not control and over which we do not have the ability to exercise significant influence are recorded at cost and included in *Other assets*. These cost method investments were as follows (in millions):

|                           | December 31, 2012 | December 31, 2011 |
|---------------------------|-------------------|-------------------|
| Automotive sector         | \$ 21             | \$ 21             |
| Financial Services sector | 5                 | 5                 |
| Total Company             | \$ 26             | \$ 26             |

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FORD MOTOR COMPANY AND SUBSIDIARIES  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. INVENTORIES

All inventories are stated at the lower of cost or market. Cost for a substantial portion of U.S. inventories is determined on a last-in, first-out ("LIFO") basis. LIFO was used for approximately 18% and 17% of total inventories at December 31, 2012 and 2011, respectively. Cost of other inventories is determined by costing methods that approximate a first-in, first-out ("FIFO") basis.

Inventories were as follows (in millions):

|  | December 31,<br>2012 | December 31,<br>2011 |
|--|----------------------|----------------------|
| Raw materials, work-in-process, and supplies | \$ 3,697             | \$ 2,847             |
| Finished products                            | 4,614                | 3,982                |
| Total inventories under FIFO                 | 8,311                | 6,829                |
| Less: LIFO adjustment                        | (949)                | (928)                |
| Total Inventories                            | \$ 7,362             | \$ 5,901             |

FORD MOTOR COMPANY AND SUBSIDIARIES  
NOTES TO THE FINANCIAL STATEMENTS

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NOTE 13. NET PROPERTY AND LEASE COMMITMENTS

Net Property

Net property includes land, buildings and land improvements, machinery and equipment, special tools, and other assets that we use in our normal operations. These assets are recorded at cost, net of accumulated depreciation and impairments. We capitalize new assets when we expect to use the asset for more than one year. Routine maintenance and repair costs are expensed when incurred.

Property and equipment are depreciated primarily using the straight-line method over the estimated useful life of the asset. Useful lives range from 3 years to 36 years. The estimated useful lives generally are 14.5 years for machinery and equipment, 3 years for software (8 years for mainframe and client based software), 30 years for land improvements, and 36 years for buildings. Special tools generally are amortized over the expected life of a product program using a straight-line method. If the expected production volumes for major product programs associated with the tools decline significantly, we accelerate the amortization reflecting the rate of decline.

Net property was as follows (in millions):

|   | December 31,<br>2012 | December 31,<br>2011 |
|---|----------------------|----------------------|
| <b>Automotive Sector</b>                  |                      |                      |
| Land                                      | \$ 423               | \$ 384               |
| Buildings and land improvements           | 10,249               | 10,129               |
| Machinery, equipment and other            | 35,040               | 34,363               |
| Software                                  | 1,813                | 1,917                |
| Construction in progress                  | 1,783                | 1,311                |
| Total land, plant and equipment and other | 49,308               | 48,104               |
| Accumulated depreciation                  | (32,835)             | (32,874)             |
| Net land, plant and equipment and other   | 16,473               | 15,230               |
| Special tools, net of amortization        | 8,340                | 6,999                |
| Total Automotive sector                   | 24,813               | 22,229               |
| Financial Services sector (a)             | 129                  | 142                  |
| Total Company                             | \$ 24,942            | \$ 22,371            |

(a) Included in *Financial Services* other assets on our sector balance sheet.

Automotive sector property-related expenses for the years ended December 31 were as follows (in millions):

|                                     | 2012     | 2011     | 2010     |
|-------------------------------------|----------|----------|----------|
| Depreciation and other amortization | \$ 1,794 | \$ 1,759 | \$ 1,956 |
| Amortization of special tools       | 1,861    | 1,774    | 1,920    |
| Total                               | \$ 3,655 | \$ 3,533 | \$ 3,876 |
| Maintenance and rearrangement       | \$ 1,352 | \$ 1,431 | \$ 1,397 |

~~Conditional Asset Retirement Obligations~~

~~We accrue for costs related to legal obligations to perform certain activities in connection with the retirement, abandonment, or disposal of our assets for which the fair value can be reasonably estimated. These conditional asset retirement obligations relate to the estimated costs for asbestos abatement and removal of polychlorinated biphenyl ("PCB").~~

~~Asbestos abatement costs were estimated using site-specific surveys where available and a per/square foot estimate where surveys were unavailable. PCB removal costs were based on historical removal costs per transformer and applied to transformers identified by a PCB transformer global survey we conducted.~~

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NOTE 26. CAPITAL STOCK AND AMOUNTS PER SHARE

All general voting power is vested in the holders of Common Stock and Class B Stock. Holders of our Common Stock have 60% of the general voting power and holders of our Class B Stock are entitled to such number of votes per share as will give them the remaining 40%. Shares of Common Stock and Class B Stock share equally in dividends when and as paid, with stock dividends payable in shares of stock of the class held.

If liquidated, each share of Common Stock will be entitled to the first \$0.50 available for distribution to holders of Common Stock and Class B Stock, each share of Class B Stock will be entitled to the next \$1.00 so available, each share of Common Stock will be entitled to the next \$0.50 so available and each share of Common and Class B Stock will be entitled to an equal amount thereafter.

We present both basic and diluted earnings per share ("EPS") amounts in our financial reporting. EPS is computed independently each quarter for income from continuing operations, income from discontinued operations, and net income; as a result, the sum of per-share amounts from continuing operations and discontinued operations may not equal the total per-share amount for net earnings. Basic EPS excludes dilution and is computed by dividing income available to Common and Class B Stock holders by the weighted-average number of Common and Class B Stock outstanding for the period. Diluted EPS reflects the maximum potential dilution that could occur if all of our equity-linked securities and other share-based compensation, including stock options, warrants, and rights under our convertible notes, were exercised. Potential dilutive shares are excluded from the calculation if they have an anti-dilutive effect in the period.

**Warrants**

As part of the transfer of assets to the UAW VEBA Trust on December 31, 2009, we issued warrants to purchase 362,391,305 shares of Ford Common Stock at an exercise price of \$9.20 per share, which was subsequently adjusted to \$9.01 per share. On April 6, 2010, the UAW VEBA Trust sold all such warrants to parties unrelated to us. In connection with the sale, the terms of the warrants were modified to provide for, among other things, net share settlement as the only permitted settlement method thereby eliminating full physical settlement as an option, and elimination of certain of the transfer restrictions applicable to the underlying stock. We received no proceeds from the offering.

The warrants expired by their terms on January 1, 2013. By the deadline for exercise of December 31, 2012, 362 million warrants were exercised on a net share settlement basis. This resulted in the issuance of 106 million shares of Common Stock, of which 72 million shares were issued on January 8, 2013 in settlement of exercises that took place during the last four trading days of 2012. Because we were obligated in 2012 to issue the shares, all 106 million shares issued for warrant exercises are reflected on our consolidated and sector balance sheets as being outstanding at December 31, 2012. No warrants are presently outstanding.

**Dividend Declaration**

On January 10, 2013, our Board of Directors declared a first quarter 2013 dividend on our Common and Class B Stock of \$0.10 per share payable on March 1, 2013 to stockholders of record on January 30, 2013.

**Effect of Dividends on Convertible Notes**

As a result of dividends totaling \$0.20 per share (\$0.05 per share in each quarter of 2012) paid on our Common Stock, the conversion rates for our outstanding convertible notes (see Note 17) have been adjusted pursuant to their terms as follows:

| Security   | Conversion Rate -<br>Shares of Ford Common Stock for Each \$1,000 Principal Amount |   |  |
|--|--|---|--|
|  | In Effect<br>At January 1, 2012  | After Adjustment<br>Effective<br>August 1, 2012 | After Adjustment<br>Effective<br>November 9, 2012  |
| 4.25% Senior Convertible Notes Due November 15, 2016 | 107.5269 shares  | 109.3202 shares                                 | 109.8554 shares                                    |
|  | In Effect<br>At January 1, 2012  | After Adjustment<br>Effective<br>August 6, 2012 | After Adjustment<br>Effective<br>December 15, 2012 |
| 4.25% Senior Convertible Notes Due December 15, 2036 | 108.6957 shares  | 110.5085 shares                                 | 114.0495 shares                                    |

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**NOTE 26. CAPITAL STOCK AND AMOUNTS PER SHARE (Continued)**

**Amounts Per Share Attributable to Ford Motor Company Common and Class B Stock**

Basic and diluted income per share were calculated using the following (in millions):

|  | 2012            | 2011             | 2010            |
|--|-----------------|------------------|-----------------|
| <b>Basic and Diluted Income Attributable to Ford Motor Company</b> |                 |                  |                 |
| Basic income from continuing operations                            | \$ 5,665        | \$ 20,213        | \$ 6,561        |
| Effect of dilutive 2016 Convertible Notes (a)                      | 46              | 64               | 173             |
| Effect of dilutive 2036 Convertible Notes (a)                      | 2               | 2                | 37              |
| Effect of dilutive Trust Preferred Securities (a) (b)              | —               | 40               | 182             |
| Diluted Income from continuing operations                          | <u>\$ 5,713</u> | <u>\$ 20,319</u> | <u>\$ 6,953</u> |
| <b>Basic and Diluted Shares (c)</b>                                |                 |                  |                 |
| Basic shares (average shares outstanding)                          | 3,815           | 3,793            | 3,449           |
| Net dilutive options and warrants                                  | 101             | 187              | 217             |
| Dilutive 2016 Convertible Notes                                    | 96              | 95               | 291             |
| Dilutive 2036 Convertible Notes                                    | 3               | 3                | 58              |
| Dilutive Trust Preferred Securities (b)                            | —               | 33               | 163             |
| Diluted shares   | <u>4,015</u>    | <u>4,111</u>     | <u>4,178</u>    |

- (a) As applicable, includes interest expense, amortization of discount, amortization of fees, and other changes in income or loss that would result from the assumed conversion.
- (b) The Trust Preferred Securities, which were convertible into Ford Common Stock, were fully redeemed on March 15, 2011.
- (c) Includes (i) 53 million in average net dilutive shares for 2012 for warrants outstanding prior to exercise and (ii) 9 million in average basic shares outstanding for 2012 for shares issued for warrants exercised. In total, by the deadline for exercise of December 31, 2012, 362 million warrants were exercised on a net share settlement basis, resulting in the issuance of 106 million shares.

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**NOTE 30. SELECTED QUARTERLY FINANCIAL DATA (unaudited)**

Selected financial data by calendar quarter were as follows (in millions, except per share amounts):

|  | 2012          |                |               |                | 2011          |                |               |                |
|--|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|
|  | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
| <b>Automotive Sector</b>   |               |                |               |                |               |                |               |                |
| Revenues   | \$ 30,525     | \$ 31,328      | \$ 30,247     | \$ 34,467      | \$ 31,038     | \$ 33,476      | \$ 31,043     | \$ 32,611      |
| Income before income taxes   | 1,582         | 1,148          | 1,858         | 1,422          | 2,070         | 2,004          | 1,241         | 935            |
| <b>Financial Services Sector</b>   |               |                |               |                |               |                |               |                |
| Revenues   | 1,920         | 1,883          | 1,925         | 1,957          | 2,076         | 2,051          | 2,004         | 1,965          |
| Income before income taxes   | 456           | 447            | 388           | 419            | 706           | 602            | 605           | 518            |
| <b>Total Company</b>   |               |                |               |                |               |                |               |                |
| Income before income taxes   | 2,038         | 1,595          | 2,246         | 1,841          | 2,776         | 2,606          | 1,846         | 1,453          |
| <b>Amounts Attributable to Ford Motor Company Common and Class B Shareholders</b>  |               |                |               |                |               |                |               |                |
| Net income   | 1,396         | 1,040          | 1,631         | 1,598          | 2,551         | 2,398          | 1,649         | 13,615         |
| <b>Common and Class B per share from income from continuing operations before cumulative effects of changes in accounting principles</b> |               |                |               |                |               |                |               |                |
| Basic  | 0.37          | 0.27           | 0.43          | 0.42           | 0.68          | 0.63           | 0.43          | 3.58           |
| Diluted  | 0.35          | 0.26           | 0.41          | 0.40           | 0.61          | 0.59           | 0.41          | 3.40           |

Certain of the quarterly results identified above include material unusual or infrequently occurring items as follows:

The pre-tax income of \$1.8 billion in the fourth quarter of 2012 includes 1) a \$250 million unfavorable item related to the U.S. salaried lump sum pension buyout program (see Note 16), and 2) a \$625 million gain related to the reorganization of our equity investment in CFMA (see Note 25).

The pre-tax income of \$1.5 billion in the fourth quarter of 2011 includes a \$401 million gain related to the sale of our Russian operations to the newly-created FordSollers joint venture, which began operations on October 1, 2011.

The net income attributable to Ford Motor Company of \$13.6 billion in the fourth quarter of 2011 includes a \$12.4 billion favorable item, reflecting the release of almost all of the valuation allowance against our net deferred tax assets.

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NOTE 31. COMMITMENTS AND CONTINGENCIES

Commitments and contingencies consist primarily of guarantees and indemnifications, litigation and claims, and warranty.

Guarantees are recorded at fair value at the inception of the guarantee. Litigation and claims are accrued when losses are deemed probable and reasonably estimable.

Estimated warranty costs and additional service actions are accrued for at the time the vehicle is sold to a dealer, including costs for basic warranty coverage on vehicles sold, product recalls, and other customer service actions. Fees or premiums for the issuance of extended service plans are recognized in income over the contract period in proportion to the costs expected to be incurred in performing services under the contract.

**Guarantees**

At December 31, 2012 and December 31, 2011, the following guarantees and indemnifications were issued and outstanding:

*Guarantees related to affiliates and third parties.* We guarantee debt and lease obligations of certain joint ventures, as well as certain financial obligations of outside third parties, including suppliers, to support our business and economic growth. Expiration dates vary through 2019, and guarantees will terminate on payment and/or cancellation of the obligation. A payment by us would be triggered by failure of the joint venture or other third party to fulfill its obligation covered by the guarantee. In some circumstances, we are entitled to recover from the third party amounts paid by us under the guarantee. However, our ability to enforce these rights is sometimes stayed until the guaranteed party is paid in full, and may be limited in the event of insolvency of the third party or other circumstances. The maximum potential payments under guarantees and the carrying value of recorded liabilities related to guarantees were as follows (in millions):

|  | December 31,<br>2012 | December 31,<br>2011 |
|--|----------------------|----------------------|
| Maximum potential payments                                   | \$ 409               | \$ 444               |
| Carrying value of recorded liabilities related to guarantees | 17                   | 31                   |

We regularly review our performance risk under these guarantees, which has resulted in no changes to our initial valuations.

*Indemnifications.* In the ordinary course of business, we execute contracts involving indemnifications standard in the industry and indemnifications specific to a transaction, such as the sale of a business. These indemnifications might include and are not limited to claims relating to any of the following: environmental, tax, and shareholder matters; intellectual property rights; power generation contracts; governmental regulations and employment-related matters; dealers, supplier, and other commercial contractual relationships; and financial matters, such as securitizations. Performance under these indemnities generally would be triggered by a breach of terms of the contract or by a third-party claim. We also are party to numerous indemnifications which do not limit potential payment; therefore, we are unable to estimate a maximum amount of potential future payments that could result from claims made under these indemnities.

**Litigation and Claims**

Various legal actions, proceedings, and claims (generally, "matters") are pending or may be instituted or asserted against us. These include but are not limited to matters arising out of alleged defects in our products; product warranties; governmental regulations relating to safety, emissions, and fuel economy or other matters; government incentives; tax matters; alleged illegal acts resulting in fines or penalties; financial services; employment-related matters; dealer, supplier, and other contractual relationships; intellectual property rights; environmental matters; shareholder or investor matters; and financial reporting matters. Certain of the pending legal actions are, or purport to be, class actions. Some of the matters involve or may involve claims for compensatory, punitive, or antitrust or other treble damages in very large amounts, or demands for recall campaigns, environmental remediation programs, sanctions, loss of government incentives, assessments, or other relief, which, if granted, would require very large expenditures.

The extent of our financial exposure to these matters is difficult to estimate. Many matters do not specify a dollar amount for damages, and many others specify only a jurisdictional minimum. To the extent an amount is asserted, our historical experience suggests that in most instances the amount asserted is not a reliable indicator of the ultimate outcome.

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NOTE 31. COMMITMENTS AND CONTINGENCIES (Continued)

In evaluating for accrual and disclosure purposes matters filed against us, we take into consideration factors such as our historical experience with matters of a similar nature, the specific facts and circumstances asserted, the likelihood of our prevailing, and the severity of any potential loss. We reevaluate and update our accruals as matters progress over time.

For the majority of matters, which generally arise out of alleged defects in our products, we establish an accrual based on our extensive historical experience with similar matters, and we do not believe that there is a reasonably possible outcome materially in excess of our accrual.

For the remaining matters, where our historical experience with similar matters is of more limited value (i.e., "non-pattern matters"), we evaluate matters primarily based on the individual facts and circumstances. For non-pattern matters, we evaluate whether there is a reasonable possibility of a material loss in excess of any accrual that can be estimated. Our estimate of reasonably possible loss in excess of our accruals for all material matters currently reflects non-U.S. indirect tax matters, for which we estimate this aggregate risk to be a range of up to about \$2.3 billion.

As noted, the litigation process is subject to many uncertainties, and the outcome of individual litigated matters is not predictable with assurance. Our assessments are based on our knowledge and experience, but the ultimate outcome of any matter could require payment substantially in excess of the amount that we have accrued and/or disclosed.

**Warranty**

Included in warranty cost accruals are the costs for basic warranty coverages and field service actions (i.e., product recalls and owner notification programs) on products sold. These costs are estimates based primarily on historical warranty claim experience. Warranty accruals accounted for in *Accrued liabilities and deferred revenue* for the years ended December 31 were as follows (in millions):

|   | 2012            | 2011            |
|---|-----------------|-----------------|
| Beginning balance   | \$ 3,915        | \$ 3,855        |
| Payments made during the period                                   | (2,254)         | (2,799)         |
| Changes in accrual related to warranties issued during the period | 1,885           | 2,215           |
| Changes in accrual related to pre-existing warranties             | 49              | 690             |
| Foreign currency translation and other                            | 61              | (46)            |
| Ending balance  | <u>\$ 3,656</u> | <u>\$ 3,915</u> |

Excluded from the table above are costs accrued for customer satisfaction actions.

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## Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or because the degree of compliance with policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our CEO and CFO, we conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2012. The assessment was based on criteria established in the framework *Internal Control - Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concluded that our internal control over financial reporting was effective as of December 31, 2012.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2012 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in its report included herein.

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**New York Stock Exchange Required Disclosures**

On June 1, 2012, Ford's Chief Executive Officer certified that he was not aware of any violation by the Company of the New York Stock Exchange Corporate Governance listing standards, other than has been notified to the Exchange pursuant to Section 303A.12(b), of which there was none.

**Market for Common Equity and Related Stockholder Matters.**

Our Common Stock is listed on the New York Stock Exchange in the United States, and on certain stock exchanges in Belgium and France.

The table below shows the high and low sales prices for our Common Stock, and the dividends we paid per share of Common and Class B Stock, for each quarterly period in 2011 and 2012:

| Ford Common Stock price per share (a)                | 2011          |                |               |                | 2012          |                |               |                |
|--|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|
|  | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
| High   | \$ 18.97      | \$ 16.18       | \$ 14.22      | \$ 12.65       | \$ 13.05      | \$ 12.95       | \$ 10.66      | \$ 13.08       |
| Low  | 13.75         | 12.65          | 9.32          | 9.05           | 10.99         | 9.46           | 8.82          | 9.71           |
| Dividends per share of Ford Common and Class B Stock | \$ —          | \$ —           | \$ —          | \$ —           | \$ 0.05       | \$ 0.05        | \$ 0.05       | \$ 0.05        |

(a) New York Stock Exchange composite intraday prices as listed in the price history database available at [www.NYSEnet.com](http://www.NYSEnet.com).

As of February 1, 2013, stockholders of record of Ford included approximately 151,240 holders of Common Stock and 66 holders of Class B Stock.